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THE FINDINGS OF THE MASSACHUSETTS COMMISSION ON OLD AGE PENSIONS.

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The report of the Massachusetts Commission on Old Age Pensions, Annuities and Insurance, recently submitted to the State Legislature, embodies the results of the first official investigation of this question in the United States. The investigation included a thorough inquiry into all the pension and insurance systems now in operation in various countries and a statistical study of the aged population of Massachusetts, for the purpose of determining whether it is expedient and desirable to adopt any of these schemes in that Commonwealth. In this paper the results of the investigation and the findings of the commission will be outlined briefly.*

The instructions of the commission called for investigation of three questions: First, what are the various systems of old age insurance, pensions or annuities thus far proposed or adopted? Second, is it advisable to establish any system of old age insurance, pensions or annuities in Massachusetts? Third, what would it cost to take such action? In order to answer these questions intelligently, it was necessary for the commission: First, to collect information regarding the plans

* In a previous article by the writer, published in the March, 1909, issue of the Quarterly Publications, the plan of the investigation was explained and the method of procedure was described.

of old age provision that had been suggested or tried in modern states; second, to ascertain the facts as to the number and condition of the aged population of Massachusetts, in particular the facts regarding pauperism and dependency among the aged; third, to determine how many persons would be entitled to participate in any plan under consideration, and what the expense would be of providing for them in the proposed manner. The facts needed in this connection were, in brief: The number of persons of pensionable age; the number of such persons in correctional institutions and in hospitals and almshouses for the insane; the number of such persons cared for in public pauper and private benevolent institutions during one year, and the amount of expenditure; the number of such persons not dependent upon public or private charity, who would be entitled, by reason of their poverty, to share in the benefits of any pension plan. It was necessary to institute an independent statistical investigation in order to obtain this requisite information. The only needed fact that could be established from existing statistics was the total number of persons of a pensionable age in the state, that is, 65 years of age and over, or 70 years of age and over. The further facts had to be gathered by first-hand inquiry, through a partial census of the aged population of the state.

The results of the classified enumeration of the aged population are shown by the following table:

AGED POPULATION OF MASSACHUSETTS BY CLASSES.*

	65 of Age and Over.	70 of Age and Over.
1. In correctional institutions.....	556	179
2. In insane asylums and hospitals.....	1,961	1,148
3. In almshouses.....	3,480	2,204
4. In benevolent homes.....	2,598	1,960
5. Recipients of public outdoor relief.....	3,075	2,082
6. Recipients of private outdoor relief.....	2,312	1,550
7. (a) Recipients of state and military aid.....	10,888	6,164
(b) Recipients of soldiers' relief.....	4,767	2,699
(c) United States pensioners.....	27,230	15,417
8. Non-dependent aged (including all not classed in preceding seven groups).....	135,788	80,460
Total†.....	177,000	105,000

*The figures for the four classes of institutional inmates in this table are "net year totals." They include the number of inmates present September, 1908, and the number of persons admitted during the following twelve months, exclusive of transfers and readmissions. The net totals thus obtained show the number of persons who are cared for in such institutions at least during a part of the year.

†The totals for state and military aid and soldiers' relief are not included, since they are represented in the total for United States pensions.

The present expenditures for the relief of the aged poor, as determined by the investigation, are shown in this tabular summary:

EXPENDITURES FOR RELIEF OF AGED POPULATION, 65 YEARS OF AGE AND OVER.

	Number 65 and Over.	Amount of Expenditure.	Number 70 and Over.	Amount of Expenditure.
In almshouses.....	3,480	\$693,076.80	2,204	\$438,948.64
In benevolent homes.....	2,598	783,556.80	1,960	591,136.00
Public outdoor relief.....	3,075	189,900.00	2,082	108,264.00
Private outdoor relief....	2,312	320,998.08	1,550	215,202.00
State and military aid....	10,888	602,650.80	6,164	341,177.40
Soldiers' relief	4,767	286,053.61	2,699	161,956.82
United States pensions....	27,230	4,192,875.00	15,417	2,373,909.00
Total.....	38,695	\$7,069,111.09	23,213	\$4,230,593.86

The detailed analysis of the composition and the condition of the different classes of the aged population presented in the report cannot be summarized here. The most significant part of this statistical exhibit is that relating to the almshouse inmates and the non-dependent aged poor. The number of almshouse inmates 65 years of age and over September 1, 1908, was 2,387; the number of admissions during the next twelve months was 1,170; the number of deaths, discharges and transfers was 1,083; the number of inmates remaining September 1, 1909, was 2,474; the gross year total, including all the admissions during the twelve months, was 3,557; the net year total, including all inmates at the beginning of the year and persons admitted during the next twelve months, exclusive of transfers and other duplications, was 3,480; the net increase during the year amounted to 3.6 per cent.

The most interesting question that arises in connection with the almshouse population relates to the probable proportion of this class that would be enabled through the grant of pensions to withdraw from institutional residence. The facts as to the physical condition, earning power and family connections of inmates throw some light on this question. It appears that 93.8 per cent of the aged almshouse inmates have physical defects of some kind, and 79.1 are wholly incapacitated for labor, while an additional 8.4 are partially incapacitated. Thus the percentage of able-bodied in the aged pauper population is only 12.5. This fact points to the practical impossibility of removing any considerable portion of this population from the institutions through the establishment of a pension system. Another fact of similar significance is the extremely small percentage of almshouse inmates having adult children or other near relatives able to assist them, namely, 7.7 per cent. It is obvious that aged inmates having no children or relatives with whom they could live would not, as a rule, be enabled by the grant of small pensions to leave the almshouse.

Other interesting features of the condition of the aged almshouse population are brought out in the statistical analysis. The number of almshouse inmates 65 years of age or over, September 1, 1909, represents about 25 per cent of the total

almshouse population of the state. The percentage of persons of this age in the general population of Massachusetts is less than 6 per cent. This contrast emphasizes the fact that institutional pauperism is to a large extent an incident or an accompaniment of old age. The great majority of the aged inmates entered the institution late in life, less than 1 per cent having become inmates before the age of forty, and only 8 per cent before the age of sixty. The strikingly high proportion of persons entering pauper institutions after sixty years of age, namely, 92 per cent, indicates again the close connection between old age and institutional pauperism. In the division of the aged almshouse population according to sex, the striking fact is the heavy preponderance of males, who are represented by a percentage of 61.4. In the general population of Massachusetts, the division by sex is comparatively even, the proportion of males being only 48.7. In respect to conjugal condition, the high percentage of widowed is significant. The figures are: single, 25.4 per cent, married, 15.4 per cent, widowed, 57.8 per cent, divorced, 1.4 per cent. It is evident that widowhood is a large factor in aged pauperism. The number of aged almshouse inmates who have lived in Massachusetts less than five years is very small, representing only 1 per cent of the total number 65 years of age and over. On the other hand, 83.6 per cent have resided in the state for thirty years or more. It thus appears that recent immigrants do not furnish any considerable number of recruits of the aged almshouse population. The percentage of foreign born among the aged almshouse inmates is 66.5 as contrasted with 30.6 in the general population of the state. It is thus manifest that the bulk of the aged pauperism is imported rather than home grown. As regards the country of birth of the foreign born, Ireland leads with 70.5 per cent, Canada standing a remote second with 11.4 per cent. The number of aged paupers who had property above debts at some time in life is, as one would expect it to be, small, representing only 27.4 per cent of the total. The number of the property holders who sustained losses amounted to 97.4 per cent of the total owning property at some time.

COMPARATIVE PAUPERISM IN GREAT BRITAIN AND MASSACHUSETTS.

	Total Paupers.	Per 1,000 Popula- tion.	Indoor Paupers.	Per 1,000 Popula- tion.	Paupers 65 and Over.	Per 1,000 Population Same Age.	Total Paupers.	65 and Over.	PerCent. 65 and Over.
United Kingdom*	1,002,218	24.2	300,617†	8.5	352,751	172.0	1,002,218	352,751	35.0
Massachusetts‡..	27,307	8.5§	9,456||	2.9§	5,549¶	31.7	27,307	5,549	20.3

* Tables which have been prepared in connection with the question of old age pensions by the British Local Government Board, 1907, page 49.

† This figure is for England and Wales only.

‡ The total, 27,307, includes the average number of paupers in the State Farm and Infirmary, and in city and town almshouses and other institutions, exclusive of insane asylums, and the average number of persons partially supported by state, city or town, as given in the report of the State Board of Charity for 1909, pp. 157 and 159.

§ These percentages are based on an estimated population of 3,203,000 in 1909.

|| The total, 9,456, includes the average number of paupers in the State Farm and Infirmary, and in city and town almshouses and other institutions, exclusive of insane asylums, as given in the report of the State Board of Charity for 1909, pp. 157 and 159.

¶ This total includes 2,474 inmates of almshouses, September 1, 1909, and 3,075 persons given outdoor relief during the year September 1, 1908, to September 1, 1909.

A comparison of the extent of the pauperism in Massachusetts and Great Britain discloses a striking difference. The proportion of paupers in the total population, the proportion of paupers 65 years of age and over in the total population of the same age, and the proportion of aged paupers in the total pauper population are all much lower in Massachusetts than in Great Britain. The figures and percentages are given in the foregoing table.

At the opposite economic extreme of the almshouse population is the class of non-dependent aged poor, including persons who stand above the line of dependency, outside the ranks of the pauper class and charity beneficiaries, yet who are in needy circumstances. The number of persons enumerated in this division of the investigation is 3,746, living in more than 100 cities and towns in 10 counties of the state. The object of this partial census was to obtain a fair representation of the condition of that group of the aged population which stands on the verge of dependency. The chief subject of interest in a study of the non-dependent aged poor is their economic condition, as shown especially by incomes and expenditures. The facts in this connection help to determine the probable proportion of this class who would be entitled by their poverty to share in the benefits of any pension system.

The figures for weekly incomes and expenditures presented in the report are tabulated in four groups, in order to give a more definite indication of the adequacy of the incomes and the amount of the expenditures, namely: first, for individual males; second, for individual females; third, for couples; fourth, for families of three or more persons. The most noteworthy fact shown by the table of incomes is the large percentage of individuals having weekly incomes below \$5, namely: 39.3 for men, 79 for women. On the other hand, the percentages of couples and families having weekly incomes of \$10 and over is strikingly large, namely: 60.6 for the former, 82.6 for the latter. In all respects, couples and families are clearly better provided for than are individual men and women.

WEEKLY INCOMES OF NON-DEPENDENT AGED POOR

	Total.	Under \$5.	Per cent.	\$5-\$10.	Per cent.	\$10 and over.	Per cent.	Amount not stated.	Average income from all sources.
Individual males...	730	252	39.3	254	39.7	136	21.0	88	\$7.32
Individual females	1,031	574	79.0	136	18.7	17	2.3	304	4.50
Couples.....	1,362	.....	.....	459	39.4	707	60.6	196	11.70
Families.....	201	.....	.....	32	17.4	152	82.6	17	13.24

The following table shows the classified weekly expenditures:

WEEKLY EXPENDITURES OF NON-DEPENDENT AGED POOR.

	Total.	Average Weekly Expenditures.	CLASSIFIED WEEKLY EXPENDITURES.		
			Percentage of Income expended for Rent.	Percentage of Income expended for Food.	Percentage of Income expended for Clothing
Individual males...	730	\$6.26	26.9	58.1	10.0
Individual females.	1,031	4.28	32.4	54.2	13.0
Couples.....	1,362	9.32	23.5	51.2	9.1
Families.....	201	12.00	25.3	60.0	9.8

The high percentages of income expended for rent and for food are notable features of the classified expenditures presented in this table. These percentages for aged families are somewhat higher than the normal averages for wage-earners' families. The percentage of expenditure for clothing, however, is somewhat less. The comparative expenditures of wage-earners' families in general and of families among the non-dependent aged poor are shown in the following table:

	201 Families of Aged Poor in Massa- chusetts.	175 Normal Families in United States.*	200 Families in New York City.†	73 Families in New York City.‡
Average income.....	\$687.48	\$800 to \$900	\$851.38	\$800 to \$899
Average expenditure (per cent.):				
Food.....	60.0	42.80	43.4	44.3
Rent.....	25.3	16.66	19.4	20.7
Clothing.....	9.8	13.45	10.6	14.0

* Eighteenth annual report of U. S. Commissioner of Labor, p. 363.

† Louise B. More, "Wage Earners' Budgets," p. 258.

‡ R. C. Chapin, "Standard of Living in New York City," p. 70.

It is evident that the three objects of expenditure, rent, food and clothing, consume a very large part of the total income of aged persons. The surplus expended for incidental purposes is much less in the case of the aged than in the general population. The old spend very little, as a rule, for recreation and sundries.

Other indications of the economic condition of the non-dependent aged poor are the percentages of persons who have property above debts, of those who carry insurance or membership in a union or benefit order, and of the able-bodied. The percentage of property holders is 43.4; that of persons carrying insurance, 15.9; that of members of unions and benefit orders, 10.4; that of able-bodied, 53.4. The latter percentage affords an interesting contrast to the 12.5 per cent of able-bodied persons among aged almshouse inmates. On the whole, the economic condition of the non-dependent aged poor as disclosed in this investigation is comparatively good.

Concerning the probable number of preferred candidates for pensions in the ranks of the non-dependent aged, the report has this to say: "The total number of persons 65 years of age and over above the line of dependency, exclusive of pensioners, has been estimated at 135,788. The 3,746 cases enumerated in the class of non-dependent aged poor may be fairly regarded as constituting a part of the lower tenth of the non-dependent aged population in general. Tested by income, property holdings or earning power, not more than

one half of this marginal population can be set down as actually needy. Assuming that to be the proportion of persons in the lower tenth of the non-dependent population really entitled by virtue of their poverty to share in the benefits of any pension scheme, the number of such deserving poor, or preferred candidates for pensions, would be, roundly, 7,000. If we add the inmates of almshouses, 3,480, of benevolent homes, 2,598, and the recipients of public outdoor relief, 3,075, and of private outdoor relief, 2,312, we get a total of 18,465 persons 65 years of age and over who would have to be provided for in any pension scheme that was restricted to the deserving non-dependent aged poor and the beneficiaries of public and private charity. If the public paupers were excluded from participation in the scheme, the number of prospective pensioners would be reduced to about 12,000. This number represents an extremely low proportion of the entire population 65 years of age and over, or only 6 per cent. The figure is strikingly small in contrast with the 50 per cent. of the population 70 years of age and over in Great Britain that qualified for pensions under the carefully restrictive provisions of the old age pension act."

The estimates of the probable expense to the Commonwealth of adopting various pension systems, which are given in the report, are offered only as indicating the approximate cost of the different plans. It is difficult to make accurate statistical calculations of the cost of operating in an American state pension schemes that have been tried in other countries, in which the conditions as regards standard of living and spending, the amount of old age dependency, and the economic condition of the aged population are widely different from those in this country. No one can tell precisely how much any pension system would cost until it has been put in actual operation. Preliminary estimates of cost carefully prepared by British investigators all fell far short of the actual expense entailed by the British old age pension Act of 1908. The estimates in the Massachusetts report present figures for four main types of pension schemes, namely: universal non-contributory pensions, partial non-contributory

pensions, compulsory contributory insurance with state subsidy, and voluntary contributory insurance with state subsidy.

The universal non-contributory scheme proposed by the late Dr. Edward Everett Hale would provide pensions of \$100 per year for all persons over 69 years of age, that is, 70 years of age and over. Dr. Hale himself estimated the cost of his scheme as follows: "If we paid a hundred dollars to every citizen, man and woman, over 69 years of age, we should have to pay about \$125,000." He was of the opinion that a poll tax of two dollars would yield an amount entirely adequate to finance his pension scheme. The number of persons over 69 years of age in the state is estimated at 105,000 for 1910. The cost of pensioning that number of persons at the rate of \$100 per year would be \$10,500,000 annually, or nearly ninety times as much as the estimate given by Dr. Hale. The cost of the scheme, if applied to persons 65 years of age and over, would be increased to \$17,700,000 per year. The total number of ratable polls in the state is only 919,783. A poll tax of two dollars, if assessed and collected from every person in the state liable to such a tax, would yield only \$1,839,566, or less than one fifth of the amount required to finance the pension scheme proposed by Dr. Hale.

The British old age pension system, instituted by the act of 1908, is a partial non-contributory scheme. If the conditions of eligibility as laid down in this act were applied to the population of Massachusetts 70 years of age and over, the number of persons of different classes who would be excluded from the pension system may be estimated as follows:

1. Persons who have not been residents of the state 20 years.....	7,980 *
2. Persons in receipt of poor relief:	
Indoor	2,204
Outdoor	2,082
3. Inmates of lunatic asylums.....	1,148
4. Inmates of correctional institutions.....	178
5. Persons having yearly incomes over \$157.50:	
U. S. Pensioners	15,417 †
Other non-dependent aged	74,541 ‡
	<hr/>
	103,550

It thus appears that 103,550 out of the 105,000 persons 70 years of age and over would prove ineligible for pensions under a pension act copied literally after the British. This would leave only 1,450 persons to be provided with pensions. At the British rate of \$1.25 a week, or \$65 a year, the cost would be only \$94,250. In Great Britain 667,000 persons qualified for pensions under the act within eight months, and the expense for the first year was, roundly, \$40,000,000. The fact that so large a number could qualify under the provisions of the act shows the wide difference between the economic condition of the aged population in Great Britain and in this state. The maximum income provision of \$157.50 would alone debar four fifths of the aged population in this state. In Great Britain this provision permitted more than one half of the population 70 years of age and over to qualify for pensions.

A fairer estimate of the probable cost of applying a partial non-contributory pension system like the British in this

* This number is estimated according to the percentage of aged persons of less than twenty years' residence in the state, as shown by the returns gathered in the investigation by this commission, namely, 5.7 per cent.

† The United States pensioners presumably all have incomes in excess of the maximum fixed in the British act.

‡ This figure is obtained by applying to the non-dependent population seventy years of age and over, which numbers 80,462, the percentage of persons of this class who gave their weekly incomes as \$3 or less in the returns gathered in the statistical investigation of this commission, namely, 7.36 per cent.

commonwealth can be made by assuming that the conditions of eligibility, especially as regards income and the amount of the pensions, would be conformed to American standards. The percentage of the population 70 years and over that qualified for pensions in Great Britain was rather more than one half. Applying a similar percentage in Massachusetts, the number of persons who would come under the provisions of a pension act similar to the British would be not less than 50,000. If the amount of the pension were fixed at \$200 a year, the scheme would cost \$10,000,000 annually. This is doubtless the lowest amount that could safely be set as the probable cost of a partial non-contributory pension scheme in this state.

Compulsory contributory insurance, with state subsidy is typified by the German system of old age insurance. It is difficult to calculate the cost of applying such a system in this country. It is practically useless to estimate carefully the expense of applying an exact replica of the German scheme, as regards the amount of contributions by the employer, the employee and the state, and the amount of the pensions. The latter is much too small for American standards of living, the maximum pension being less than \$60, and the average amount only \$40, annually. The approximate cost of a compulsory contributory system of old age insurance like the German may, perhaps, best be indicated in the following manner: In Germany the number of persons drawing old age pensions was in 1907, 116,887, out of a population of 60,000,000. This means 195 pensioners per each 100,000 of population. In Massachusetts, this proportion would give only 5,850 pensioners, as the population of the state is roundly 3,000,000. To pay pensions of \$40 a year to 5,850 persons would cost only \$234,000. To provide pensions of three times that amount, which would hardly be more than the proper equivalent of the German rate, would cost \$702,000. Of this total, the state would pay, according to the German method of dividing the expenses, approximately one third, or about \$78,000, on the basis of the first calculation just given; \$234,000 on the basis of the second calculation. In Germany, the state's share of the total amount paid in both old age and in-

validity annuities in 1907 was only \$12,348,009.08. The equivalent expenditure in Massachusetts proportional to the population would be about \$617,500.

Voluntary contributory insurance, with state subsidy, is exemplified in the Belgian system of old age relief. Manifestly, the cost of any voluntary scheme with a state subsidy can only be approximated. All depends on the extent to which the population participates in the plan. In Belgium the number of pensioners in 1906 was 850,000, out of a population of 7,238,622. Each participant can obtain at least 9 francs, or \$1.80, in premiums paid by the state each year. This means a total payment by the state of \$1,530,000. As the population is two and a third times as large as that of Massachusetts, the proportionate expenditure in this state would be only \$600,000. Even if the amount of premiums were trebled, the cost would be only \$1,800,000 annually.

The expense of a pension system in Massachusetts may be further illustrated by the following figures:

To provide pensions of \$200 a year for the entire population 65 years of age and over, namely, 177,000, would cost \$35,400,000 annually. To provide pensions of that amount for the entire population 70 years of age and over, namely, 105,000, would cost \$21,000,000 annually. To provide pensions of \$100 a year for the entire population 65 years of age and over would cost \$17,700,000 annually. To provide pensions of \$100 a year for the entire population 70 years of age and over would cost \$10,500,000 annually.

To provide pensions of \$200 a year for one half the population 65 years of age and over, namely, 88,500, would cost \$17,700,000 annually. To provide pensions of \$200 a year for one half the population 70 years of age and over, namely, 52,500, would cost \$10,500,000 annually. To provide pensions of \$100 a year for one half the population 65 years of age and over would cost \$8,850,000 annually. To provide pensions of \$100 a year for one half the population 70 years of age and over would cost \$5,250,000 annually.

To provide pensions of \$200 a year for one fourth the population 65 years of age and over, namely 44,250, would

cost \$8,850,000 annually. To provide pensions of \$200 a year for one fourth of the population 70 years of age and over, namely 26,250, would cost \$5,250,000. To provide pensions of \$100 a year for one fourth of the population 65 years of age and over would cost \$4,425,000. To provide pensions of \$100 a year for one fourth of the population 70 years of age and over would cost \$2,625,000.

In these estimates no account has been taken of any possible reduction of expenditures on ordinary poor relief through the establishment of a pension system, as diminishing the net cost. For reasons already set forth, it is hardly to be expected that the adoption of a pension scheme would, in the long run, reduce poor relief expenditures. The experience of countries that have tried the pension policy shows that no saving on this score can be counted upon to offset in part the expenses of the pension plan. The only form of poor relief expenditure that would be reduced appreciably, even during the first years of the operation of a pension system, is that of outdoor relief. The total amount now spent on outdoor relief for aged persons by public and private agencies in the state has been estimated at \$480,898.08. Assuming that this outlay would be reduced one half by the adoption of a pension system, which is undoubtedly an extreme estimate, the saving would amount to \$240,449.04. This sum is insignificant when set against the millions that any general pension system would cost.

The most important general conclusion drawn by the commission from its study of pension schemes and the condition of the aged poor in the state relates to the advisability of adopting a plan of non-contributory pensions like the British. The commission emphatically reports against the non contributory principle. The main reasons for rejecting all pension schemes based on this principle are stated to be:

First, the heavy expense. The cost of providing pensions of \$200 per year for half the population 70 years of age and over would be \$10,500,000 annually. That cost is declared to be practically prohibitive of a consideration of any such scheme, since it would mean an addition of more than 200 per cent. to the state tax.

Second, the demoralizing influence on character, especially the inevitable discouragement of saving. "The thrift habit," remarks the Commission, "is extremely hard to build up and very easy to break down. A non-contributory pension system would weaken the motive to individual saving and would react unfavorably on character in general, by lessening the sense of personal responsibility and self-reliance."

Third, the disintegrating effect on the family. It is maintained that a non-contributory pension system would take away in part the filial obligation for the support of aged parents, which is a main bond of family solidarity. "It would strike at one of the forces that have created the self-supporting, self-respecting American family. The impairment of family solidarity is one of the most serious consequences to be apprehended from an experiment with non-contributory pensions."

Fourth, the unfavorable effect on wages. "While imposing a heavy tax burden on the industries of the state for the supposed benefit of the working population, a non-contributory pension scheme would, at the same time, exert a depressing effect on wages. In the first place, the establishment of a pension system would tend to attract workers into the state, thus overcrowding the labor market and lowering the wage rate. In the second place, the direct competition of the pensioners would have some tendency, even if a slight one, to reduce wages. In the third place, the indirect effect upon wages of the guarantee of partial public support in old age would be still more unfavorable. The prospect of a pension would tempt and enable workers to offer their services for lower rates. Finally, the increased burden of taxation imposed upon the various industries for the support of the pension system would tend to bring about reduction of wages through the efforts of employers to shift this burden upon the shoulders of wage-earners. In these various ways the establishment of a non-contributory pension system would operate to the economic disadvantage of the wage-earners; what they received in the form of a pension would, in the long run, be taken from them in reduced wages."

In this connection it is emphasized that no argument for non-contributory pensions can be built up on the contention that wage-earners as a class do not receive a living wage. "What actually constitutes a living wage, expressed in dollars and cents, and what proportion of the working class really get a living wage, must remain matters of opinion. Even if it were true, however, that the majority of wage-earners are not paid enough to make adequate provision for old age, this fact would constitute no reason for the establishment of non-contributory pensions. Indeed, this condition would be rather an argument against the grant of non-contributory pensions, than in favor of such action. The grant of subsidies in aid of wages by the state would not create a genuine living wage. On the contrary, the effect of that policy must be, at the worst, to depress wages still further,—at the best, to prevent the advance of wages to an adequate living basis. In short, the problem of the living wage is not to be solved by any short-cut device of supplementing wages by doles from the state treasury. Such a policy, in the long run, would make the economic condition of the working class far worse than under a régime of absolute non-interference on the part of the state."

Attention is directed to the fact that during the last half-century there has taken place an advance of wages, an increase of saving, and a reduction of pauperism. These three important phases of social progress are illustrated by a mass of statistical material. Concerning the bearing of these facts on the question of old age pensions, the commission remarks: "The progress of social betterment clearly manifest in the advance of wages, the increase of saving and the decline of pauperism will continue, unless the forces that have been bringing it about are undermined by unwise social legislation. The main force to be conserved here is the spirit of individual initiative, independence, responsibility, self-reliance and ambition among the people at large. An experiment with non-contributory pensions would strike directly at this main-spring of social progress. The number of the 'deserving poor' who really need pensions is fortunately not large in

this state. By establishing a pension system for the benefit of the few who may perhaps need such aid, the state would strike a blow at the resources of thrift, individual responsibility and family integrity, which have enabled the great majority of the population to maintain themselves in self-supporting independence. In the impatient effort to help things forward at a faster pace, we should, by attempting an experiment with non-contributory pensions, immediately retard and ultimately reverse the process of social betterment. . . .

“A non-contributory pension system is simply a counsel of despair. If such a scheme be defensible or excusable in this country, then the whole economic and social system is a failure. The adoption of such a policy would be a confession of its breakdown. To contend that it is necessary to take this course is to assume that members of the working class either cannot earn enough, or cannot save enough, to take care of themselves in old age. If that be true, then American democracy is in a state of decay which no system of public doles could possibly arrest, but would rather hasten.”

The commission also reports unanimously against the adoption of any scheme of compulsory insurance in the state at the present time. It is held that such action would be inexpedient and premature. The opinion is expressed, however, that the ultimate solution of the problem of old age provision will probably be found in some scheme of obligatory state insurance. Concerning this question, the substance of the commission's conclusions is embodied in the following extract from the report: “The practical objections to the principle of compulsion are weighty. The idea is not popular in this country. In England it was abandoned as quite out of the question, in view of the prejudice against compulsion. In this Commonwealth the practical objection is reinforced by constitutional difficulties that stand in the way of any workable scheme of compulsory insurance. In view of these conditions it would be futile to recommend any compulsory insurance system at this time. Whatever the outcome of American experiments with social insurance may be, whether in the direction of the final establishment of compulsory systems, or

the extension of voluntary schemes, the introduction of the former can hardly be seriously considered now. In any event, long training in the development of voluntary insurance agencies seems desirable to furnish the preparation and foundation for any scheme of state insurance, if such should be found ultimately necessary and desirable." . . .

It may be that eventually the state will undertake to enforce this obligation upon the individual by law. The state may, in the interest of all, say to the individual: "You shall provide for your old age through saving made easy by a system of insurance established by government, in order that the general welfare may not be disturbed by your coming to the state for support in your old age." The principle of compulsory education has been adopted and widely extended. The principle of compulsory sanitation has been applied in various directions. The principle of compulsory insurance might be defended as a needful measure of further state interference for the protection of society against the burden of old age pauperism, precisely as compulsory education and compulsory sanitation have been instituted to protect society against ignorance and disease. A system of state insurance thus grounded, however, would be based on the principle of enforced obligation on the part of the individual to insure himself and not on that of recognized duty on the part of the state to pension all worthy citizens. The British and Australian pension systems are based on the latter principle, involving the doctrine that a citizen may claim a pension from the state as a civil right. That doctrine is distinctly un-American. The opposite principle of obligatory insurance, as here interpreted, is the only one that could possibly be harmonized with American conditions, traditions, and ideals.

The final conclusions and recommendations as summed up in the last chapter of the report are here presented in full:

"We find that serious practical difficulties stand in the way of the establishment of any general system of old age pensions in this Commonwealth, or any single state. Such action would place a heavy burden of taxation on the industries of the state, and thus put them at a disadvantage in competition

with the industries of neighboring states unburdened by a pension system. It would also tend to attract workers into the pensioning state, and thus to depress the rate of wages. In view of these and other considerations, it is the opinion of the commission that if any general system of old age pensions is to be established in this country, this action should be taken by the national congress, and not through state legislation. This course of action was suggested by his excellency, Governor Eben S. Draper, in his inaugural address of 1909, as follows: 'I would suggest for your consideration whether, if any general old age pension scheme were ever to be enacted, it would not be wise to have this a national proposition, rather than something to be done by an individual state. We are all citizens of one country, and if our state should take up this matter for consideration, and some states do nothing, and others adopt one scheme and still others a different one, it would produce a situation which, to my mind, would not be practical or wise.' In harmony with this suggestion, the commission holds that it would be inexpedient for Massachusetts or any other state to adopt a general system of old age pensions, either at the present or at any time in the future. Other special considerations have had weight in determining the decision of the commission not to recommend general legislation on this subject at the present time.

"The foremost consideration is the fact that Massachusetts is definitely committed, by the savings bank insurance act of 1907, to an experiment with voluntary insurance under public administration. The savings bank insurance plan should be given abundant time to test its practicability and adequacy as a solution of this problem. We are of the opinion, accordingly, that it would be premature and inconsistent to experiment with any non-contributory or compulsory scheme until the savings bank insurance system has been allowed ample opportunity to demonstrate its full effects.

"It seems, desirable, furthermore, that the problem of sickness and accident insurance should be dealt with before enacting any additional measures of general legislation concerning old age pensions or insurance. In particular, the present provi-

sions of law relating to compensation of workmen for industrial accidents are admittedly unsatisfactory in Massachusetts and other American states. Logically, the problem of sickness and accident insurance takes precedence over the question of old age insurance. So far as effective provision is made for insurance against sickness and accident, dependency in old age is diminished, for the main causes of the latter are illness and disability in earlier life. Historically, the legislation with reference to sickness and accident insurance in Germany antedated that relating to old age insurance. The sickness insurance was established in 1883, the accident insurance in 1884, and the old age insurance not till 1889.

“Finally, there is no considerable demand in this state for the establishment of a general scheme of old age pensions or insurance. The hearings held by this commission in various cities of the state have not revealed any active interest in this question on the part of the citizens. The attendance at these hearings was small, and the expressions of opinion in the main were of a general character. There is no alarming amount of old age destitution in this state, such as existed in England and other countries of Europe at the time of the adoption of old age pension systems. The comparative statistics of pauperism in Great Britain and Massachusetts, for example, show a strikingly small proportion of old age dependency in this Commonwealth, as contrasted with Great Britain. The number of paupers of all ages per 1,000 of the population is only 8.5 in Massachusetts, as contrasted with 24.2 in the United Kingdom. The number of paupers over 65 years of age per 1,000 of the population of the same age is only 31.7 in Massachusetts, as against 172 in the United Kingdom, and finally, the percentage of paupers over 65 years in the total population is only 20.3 per cent in Massachusetts, as compared with 35 per cent in the United Kingdom. The existing agencies for the relief of old age destitution in the state are abundant and adequate, and in the non-dependent portion of the aged population there is not a sufficient amount of poverty and distress to call for the institution of any sweeping scheme of relief through pensions. Social legislation can-

not safely proceed far in advance of public opinion and social conditions.

“These considerations lead to the conclusion that any recommendation of general legislation on the subject of old age pensions or insurance would be premature at the present time. The proper course of action for American states for the immediate future, in dealing with the problem of old age dependency, was suggested by President Roosevelt in his annual message of December 8, 1908. He said: ‘I call your attention to the fact that definite steps toward providing old age pensions have been taken in many of our private industries. These may be indefinitely extended through voluntary association and contributory schemes, or through the agency of savings banks, as under the recent Massachusetts plan. To strengthen these practical measures should be our immediate duty; it is not at present necessary to consider the larger and more general governmental schemes that most European governments have found themselves obliged to adopt.’ In the line of this policy, the following constructive recommendations are offered by the commission:

“1. In order to promote independent individual saving and strengthen voluntary thrift agencies, we recommend that ‘thrift’ be included among the subjects of compulsory instruction in the public schools of this Commonwealth. This matter seems to us to be one of fundamental and vital importance. Whatever solution of the problem of old age insurance and pensions may ultimately be settled upon in this state, it is certainly most desirable to take every practical measure to encourage habits of saving throughout the population. The teaching of ‘thrift’ in the schools should deal with the individual and social ethics of saving in general, and should also illustrate the principles of insurance and investment in particular. The arithmetic of saving could be taught effectively by using mathematical examples in the school texts, which should bring out clearly the methods of saving and investing money. This recommendation is not a theoretical one, for the subject of ‘thrift’ has been taught effectively in the public schools of European countries, notably in France and Germany.

“2. We commend to the attention of employers and employees throughout the Commonwealth the opportunities for the purchase of insurance and annuities offered by the Massachusetts Savings Bank Insurance Department. It is obvious that the degree of success ultimately attained by this experiment in voluntary insurance under state guarantee must depend upon the coöperation and support of wage-earners and employers throughout the state. By reason of the security and the cheapness of the insurance provided, this plan holds out exceptional advantages to the working people of the state. The first full year of operation of the system has been conspicuously successful. The two savings banks which have established insurance departments have maintained their guarantee funds, and have paid interest upon them, and in addition have distributed a dividend of eight and one third per cent to policy holders. This record justifies the commission in urging the opportunities afforded by this system upon the consideration of employers and employed.

“3. We also commend to the consideration of corporations of a permanent character, with a large staff of employees, especially public service corporations in the cities, the scheme of old age insurance and pensions which have been instituted by various large concerns. Corporations of this class can safely undertake far-reaching projects for the welfare of their working force, which would be impossible in the case of small establishments. Several plans are presented in this report for the consideration of employers who may contemplate the adoption of a retirement system. Whatever plan may be adopted by employers should, in our judgment, be based on the contributory principle. It is doubtful wisdom for private employers, as for the state, to pay non-contributory pensions.

“Under the existing provisions of the insurance laws, however, it would presumably be impossible for an employer in this state, whether an individual or a corporation, to establish a contributory pension system for employees. Any arrangement for the creation of a pension fund through joint contributions of employer and employee would probably come under the provisions of law relating to insurance contracts. It

would, therefore, seem to be necessary for an employer wishing to establish a contributory pension scheme to obtain authorization by special act of the legislature. It seems desirable that general legislation should be enacted to resolve all doubt regarding the legality of establishing contributory pension schemes, and to make it possible for employers and employees to institute such plans without the necessity of special appeal to the legislature for authorization. The commission, therefore, recommends the enactment of a general law authorizing employers and employees to form associations for the payment of annuities or pensions out of funds created by joint contribution of the two parties, under the supervision of the insurance commissioner of the Commonwealth, and presents a bill for this purpose.

“4. We would furthermore direct attention to the new opportunities for old age insurance offered by industrial insurance companies. This insurance has been greatly cheapened and improved during the last year. In order to improve still further the facilities for insurance supplied through these agencies, the commission has been asked to recommend the passage of a bill authorizing life insurance companies to issue insurance at special rates of premium to members of unions, lodges and other societies, or to employees who may take out insurance in aggregate of not less than 100 persons, and arrange for the payment of the premiums without expense to the company. The commission recognizes the advantages which this plan offers in the way of reducing the cost of insurance to working people. Nevertheless, it is unable at the present time to advise the general court to pass such a measure. Objection to such action has been raised on the ground that the ‘group insurance’ plan would create undesirable competition with the savings bank insurance. While such competition might be advantageous rather than detrimental if the savings bank insurance system were an old established institution, it seems undesirable, under existing conditions, while the system is in process of development and extension, to take any action which might hamper its operations or jeopardize its success. For this reason, the commis-

sion is of the opinion that the passage of legislation enabling life insurance companies to issue 'group insurance' at special rates would be inexpedient at this time.

"5. We suggest that in due time the laws governing the operation of fraternal beneficiary corporations be amended so as to enable these societies to pay old age benefits under supervision by the state insurance commissioner as regards rates of assessment and methods of administration. The present provisions of law applying to these organizations do not recognize the payment of old age benefits as one of the functions of such societies. Certain unimportant exceptions are made in the case of domestic fraternal beneficiary corporations, which permit the payment of long service benefits, substantially identical with old age pensions. No exceptions whatever are made in the case of foreign fraternal beneficiary corporations. A petition for legislation to enable these societies to establish old age benefit features has been presented to this commission by a committee of one of the fraternal orders. We are of the opinion that the proposed legislation would bring about a desirable extension of the facilities for voluntary insurance against old age in this state. We do not, however, submit draft of a bill providing for such amendment for the following reasons: The subject of uniform state legislation for the control of fraternal orders is now under consideration by a committee of the National Convention of Insurance Commissioners. A bill has been drawn by this committee, one feature of which is a permissive provision relating to the payment of old age benefits. This measure, as finally revised after hearing representatives of the fraternal orders, will be submitted to the next convention of the insurance commissioners, which will be held in October, 1910. It seems obviously desirable to await the action of the convention embodying a proposed uniform law for the regulation of the fraternal orders before enacting any legislation on this subject in Massachusetts. Whatever legislation is adopted in this state should be formulated in the light of the fullest attainable information, and should be made uniform, if possible, with the legislation in other states. While commending

the policy of conferring upon fraternal orders the authority to pay old age benefits under proper restrictions, the commission advises the legislature, for the reason stated, to defer action on this question until the report of the convention of the National Association of Insurance Commissioners, with the draft of the bill, shall be made public.

“6. We recommend the enactment of measures providing for the establishment of retirement systems for public employees. The reasons for such action have been fully stated in a previous chapter of this report. The fundamental consideration is one of economy and efficiency. The retirement system will stop the waste and demoralization now involved by the continuance of wornout workers in the public service. The retirement systems for employees of the state, counties, cities and towns of the commonwealth, embodied in bills submitted by the commission, is based upon the contributory principle. Present pension legislation applying to certain classes of municipal employees, which is based on the non-contributory principle, we believe to be unwise. We are of the opinion that all further legislation in this field should be based squarely on the contributory principle, and that future employees of the state, counties, cities and towns of all classes should be brought under the provisions of a general contributory retirement system.

“7. Finally, we advise the general court to pass an act providing for the establishment of a permanent unpaid commission on old age pensions and insurances. We believe this subject to be of sufficient importance to justify the creation of a special department to deal with it in comprehensive and systematic fashion. The functions of such a commission, definitely stated, would be: To act as a bureau of information and assistance for employers and employees, municipalities and counties, with a view to aiding and advising them regarding the establishment of retirement systems; to study the operation of schemes of old age insurance, annuities and pensions in other states and countries, and the proposals for new legislation on this subject, and to keep the legislature and the public informed concerning these matters through an-

nual reports; to inquire into the work of existing agencies in this state for the provision of pensions, annuities or insurance for the aged, and to offer such recommendations regarding further action as they may deem expedient; and to collect official reports, statistical matter and other literature on the subject of old age pensions, annuities and insurance. The commission would continue the work of investigation begun by the present commission. The legislation on this subject in different states and the schemes for dealing with the problem of superannuation instituted by employers of labor are in process of constant development. It would be a distinct advantage to this commonwealth if the experiments in this field could be followed and reported regularly by a state commission.

“The fundamental purpose of the recommendations thus offered is to promote the habit of thrift and to extend the usefulness of agencies that furnish opportunity to provide, by individual saving, against old age. Thus far only a beginning has been made in this field. Until the possibility of existing thrift institutions has been developed to the limit of their effectiveness, it is premature to consider resort to non-contributory state pensions or compulsory state insurance. Whatever the ultimate policy may be which the American states will work out in this field of social legislation, it is obviously desirable to build up by every practical expedient the habit of voluntary saving and the facilities provided for its exercise. Even if it should appear eventually that these means are inadequate to the final solution of the problem of old age dependency, the development of such thrift agencies would furnish a solid foundation upon which to build a general scheme of state pensions, annuities or insurance.”